

**CAISO BYLAWS PAGES AFFECTED BY
THE PROPOSED AMENDMENTS**

ATTACHMENT B

Required Change Number 1:

Section 2. Number of Governors.

There shall be a maximum of thirty-one (31) five (5) members of the Governing Board.

Required Change Number 2:

Section 3. Definitions.

3.1 Affiliate.

"Affiliate" of an entity shall mean a person or entity that directly, or indirectly through one (1) or more intermediaries, controls, or is controlled by, or is under common control with, such entity; provided, however, that (a) each separate agency of a state or of the federal government shall not be considered Affiliates, regardless of any commonality of political control, and (b) members of any joint powers authority, and such joint powers authority, shall not be considered Affiliates of each other for this purpose. A person or entity "controls" any entity in which it has the power to vote, directly or indirectly, ten percent (10%) or more of the voting interests in an entity or, in the case of a partnership, if it is a general partner.

3.2 FERC.

"FERC" shall mean the Federal Energy Regulatory Commission or any successor entity.

3.3 ISO Control Area.

"ISO Control Area" shall mean the Control Area (as defined in the Tariff) that is operated by the Corporation.

3.4 ISO Controlled Grid.

"ISO Controlled Grid" shall mean the system of transmission lines and associated facilities that have been placed under the Corporation's operational control, as defined in the Tariff.

3.5 Participating Generator Agreement.

"Participating Generator Agreement" shall mean an agreement between the Corporation and any Participating Generator, as such term is defined in the Tariff, providing that such Participating Generator has agreed to be bound by the Tariff.

3.6 3.2 Participating State.

"Participating State" shall mean any state in which control of more than twenty-five percent (25%) of the MW-circuit miles of transmission capacity within that state has been transferred to the Corporation.

3.7 Public Proceeding.

"Public Proceeding" shall mean a proceeding involving activities in a Participating State at the national, state or local level; provided that the proceeding involves either legislation, a rulemaking, or a similar on-the-record proceeding related to energy policy, ratemaking, or protection of the environment.

3.8 Record Date.

"Record Date" shall be the date determined in accordance with Section 5 of this Article III.

3.9 Regulatory Proceeding.

~~"Regulatory Proceeding" shall mean a proceeding involving activities in a Participating State at the national, state or local level; provided that the proceeding is an on-the-record proceeding before a regulatory body related to energy policy or ratemaking.~~

~~3.10 Scheduling Coordinator.~~

~~"Scheduling Coordinator" shall mean an entity that has been certified by the Corporation as a Scheduling Coordinator in accordance with the Tariff.~~

~~3.14 3.3 State Oversight Authority.~~

"State Oversight Authority" shall mean, for such period as California is the only Participating State, that certain Electricity Oversight Board described in Sections 335 to 340 of the California Public Utilities Code, as in effect from time to time; and thereafter, such body or bodies as determined by any applicable law or regulation of Participating States and applicable Federal law or regulation.

~~3.12 3.4 Tariff.~~

"Tariff" shall mean the FERC Electric Tariff filed by the Corporation, as amended from time to time.

Required Change Number 3:

Section 4. Composition and Selection of Governing Board.

4.1 ~~Classes in General.~~ Selection and Confirmation Procedures.

~~As more fully described in Section 4.2 of this Article III, the Governing Board shall include Governors selected by or from the following classes (the "Classes"): investor-owned utility transmission owners, municipal utilities, governmental market participant entities, non-utility generators, public buyers and sellers, private buyers and sellers, agricultural end users, industrial end users, commercial end users, residential end users, end users at large, public interest groups and non market participants, and a Chairperson who may be appointed in accordance with Section 4.3 without attribution to any of the Classes. In addition, the President of the Corporation shall be a member of the Governing Board.~~

The Governor of the State of California shall make appointments to the Governing Board. Each such appointee shall become a member of the Governing Board unless the State Oversight Authority declines to confirm such appointment. If the State Oversight Authority declines to confirm an appointee, the Governor may make another appointment for review by the State Oversight Authority.

Required Change Number 4:

4.2—Nomination of Governors.—Qualification of Governors.

No member of the Governing Board shall be affiliated with any actual or potential participant in any market administered by the Corporation.

The Classes shall nominate Governors as follows:

(a) Investor Owned Utility Transmission Owners.

Investor Owned Utility Transmission Owners may nominate three (3) Governors initially, but not more than four (4) Governors, as follows:

(i) Investor owned transmission owning entities that have transferred control of their transmission facilities to the Corporation ("IOU Transmission Owners") shall be eligible to participate in this Class.

(ii) When the Class comprises four (4) or fewer IOU Transmission Owners, each shall be entitled to nominate one Governor. Upon the Class comprising five (5) or more IOU Transmission Owners, the number of Governors from this Class shall be limited to four (4) and all of the Governors for this Class shall be nominated by vote of all IOU Transmission Owners, with the voting weighted based on the respective MW circuit miles of transmission facilities transferred to the Corporation by each IOU Transmission Owner. No more than one of such Governors may be an employee or representative of any one IOU Transmission Owner or any Affiliate thereof. The MW circuit mile votes for each IOU Transmission Owner shall be calculated by multiplying (A) the previous year's recorded MW transmitted at the time of the Corporation's control area peak through transmission facilities that the IOU Transmission Owner owns or, where such facilities are owned by another entity, has control rights to, without duplication, and which the IOU Transmission Owner has transferred control of to the Corporation; and (B) circuit miles of transmission transferred to the Corporation's control weighted according to the circuit miles of transmission in each operating voltage class.

(iii) Each IOU Transmission Owner may cast its votes for only one (1) Governor. If a Governor selected by this Class resigns or is otherwise removed from office prior to the expiration of the term to which he or she was appointed, and if there are four (4) or fewer IOU Transmission Owners in the Class, only the entities that voted for such Governor may nominate a Governor to replace such Governor for the remainder of such Governor's term.

(b) Municipal Utilities.

Municipal Utilities may nominate four (4) Governors, as follows:

(i) Entities eligible to participate in this Class shall be any municipality or municipal corporation, municipal utility district, public utility district or irrigation district that furnishes electric services, or a joint powers authority that includes one (1) or more of these agencies and that owns generation or transmission facilities, or furnishes electric services over its own or its members' electric distribution system, provided that in each case the entity's service area is within the ISO Control Area or a Participating State.

(ii) Eligible candidates may be put forward for nomination by themselves or any other member of this Class. The successful candidates shall be nominated pursuant to voting mechanisms agreed to by this Class. The secretary of the meeting at which Governor(s) are selected shall provide details of the selection of Governor(s) to the Secretary.

~~(c) Governmental Market Participant Entities.~~

Governmental Market Participant Entities (the "Governmental Entities") may nominate one (1) Governor initially, but not more than two (2) Governors, as follows, using the nomination procedures set forth in Sections 4.4 and 4.5 below.

(i) An entity eligible to participate in this Class shall be a public entity owning generation or transmission assets that are within the ISO Control Area and that is (A) a federal power marketing agency, a state department responsible for operating the State Water Project, a city and county that provides public power pursuant to the Raker Act, 38 Stat. 242 (1913), or a metropolitan water district organized for the purpose of delivering State Water Project water and Colorado River Aqueduct water on a wholesale basis to the southern California coastal plain, or a similar entity organized under the laws of a Participating State; or (B) a similar entity, organized under the laws of any other state, provided that such entity has transferred operational control of transmission facilities to the Corporation.

(ii) Upon one (1) or more Governmental Entities having transferred control of their transmission facilities to the Corporation, this Class shall be entitled to nominate a total of two (2) Governors.

~~(d) Non-Utility Generators.~~

Non-Utility Generators may nominate two (2) Governors, as follows, using the nomination procedures set forth in Sections 4.4 and 4.5 below.

(i) Independent power producers, FERC-certified qualifying facilities, exempt wholesale generators and non-utility generators shall be eligible to participate in this Class; provided that entities eligible to vote in any selection process shall be limited to those entities that generate electricity and have directly, or through one or more Scheduling Coordinators, sold energy into the ISO Control Area or been a party to a Participating Generator Agreement with the Corporation at any time during the twelve (12) months preceding the Record Date.

(ii) Utilities that participate in another Class and their Affiliates, and Municipal Utilities or Governmental Entities and their Affiliates, shall not be eligible to participate in this Class.

~~(e) Public Buyers and Sellers.~~

Public Buyers and Sellers may nominate one (1) Governor, as follows, using the nomination procedures set forth in Sections 4.4 and 4.5 below.

(i) Public Buyers and Sellers eligible to participate in this Class shall consist of Public Entities that have purchased or sold wholesale energy delivered over the ISO Controlled Grid at any time during the twelve (12) months preceding the Record Date. "Public Entities" shall include (A) entities that have been certified by an agency or otherwise meet the requirements of a Participating State as retail electricity sellers, (B) governmental entities that are not participating in another Class, and (C) membership organizations.

(f) Private Buyers and Sellers.

Private Buyers and Sellers may nominate one (1) Governor, as follows, using the nomination procedures set forth in Sections 4.4 and 4.5 below.

(i) ~~Scheduling Coordinators and FERC-certified power marketers ("Private Buyers and Sellers") shall be eligible to participate in this Class. In any election, entities eligible to vote shall be limited to those entities that have purchased or sold energy delivered over the ISO Controlled Grid at any time during the twelve (12) months preceding the Record Date.~~

(ii) ~~Utilities that participate in another Class and their Affiliates, and Municipal Utilities or Governmental Entities and their Affiliates, shall not be eligible to participate in this Class.~~

(g) Designated End-User Classes.

The following classes of entities may nominate Governor(s) as follows, using the nomination procedures set forth in Sections 4.4 and 4.5 below. In addition, organizations that formally represent end-user interests in other forums may petition the State Oversight Authority for a determination of eligibility to vote in any such class, and if such an affirmative determination is received, the organization shall be added to the list described in Section 4.4(b) below.

(i) ~~Agricultural End-Users. Agricultural End-Users may nominate one (1) Governor. Organizations that have represented agricultural retail or end-user interests in a Regulatory Proceeding at least twice in each of the two (2) calendar years preceding the Record Date shall be eligible to participate in this Class.~~

(ii) ~~Industrial End-Users. Industrial End-Users may nominate one (1) Governor. Organizations that have represented industrial retail or end-user interests in a Regulatory Proceeding at least twice in each of the two (2) calendar years preceding the Record Date shall be eligible to participate in this Class.~~

(iii) ~~Commercial End-Users. Commercial End-Users may nominate one (1) Governor. Organizations that have represented commercial retail or end-user interests in a Regulatory Proceeding at least twice in each of the two (2) calendar years preceding the Record Date shall be eligible to participate in this Class.~~

(iv) ~~Residential End-Users. Residential End-Users may nominate two (2) Governors. Organizations that have represented residential retail or end-user interests in a Regulatory Proceeding at least twice in each of the two (2) calendar years preceding the Record Date shall be eligible to participate in this Class.~~

(h) Public Interest Groups.

Public Interest Groups may nominate two (2) Governors, as follows, using the nomination procedures set forth in Sections 4.4 and 4.5 below.

(i) ~~Entities eligible to participate in this Class shall be any 501(c)(3)~~

er 501(c)(4) corporation whose purposes and activities include participation in Public Proceedings and that have participated in such a proceeding at any time during the two (2) calendar years preceding the Record Date. The term "501(c)(3) or 501(c)(4) corporation" shall mean that designation under the Internal Revenue Code, or any successor tax status as may then be in effect. In addition, organizations that have not participated in such a proceeding may petition the State Oversight Authority for a determination of eligibility to participate in this class, and if such an affirmative determination is received, the organization shall be added to the list described in Section 4.4(b) below.

(i) End-Users at Large.

Four (4) Governors initially, but not more than five (5) Governors, shall be selected representing end-users at large, as follows.

(i) As soon as reasonably practicable but not later than thirty (30) days after the vacancy of a seat on the Governing Board designated for this Class, or sixty (60) days prior to the expiration of the term of office of a Governor associated with this Class, the Secretary shall publish a notice soliciting nominations for appointment to the Governing Board representing this Class. This notice may be made in a newsletter or by electronic posting but shall, in any case, be transmitted by reasonable means directly to entities who have requested in writing to receive such notice. The notice shall specify a reasonable time and mechanism for submission of nominations. All nominations timely received shall comprise the nomination list. If there are not twice as many nominations received as vacancies, the Secretary may, in his or her discretion, request additional nominations. The Secretary shall make reasonable efforts to solicit nominations from a broad range of entities whose participation might benefit the public at large. Such entities may have experience in system reliability, reliability and efficiency of markets, effective corporate management, community leadership, or similar fields. The Secretary will forward the nomination list to the State Oversight Authority, who may appoint a Governor from the nomination list or request additional nominations. It shall be proper for the Governors then in office in seats associated with all end-user classes to meet or confer for the purpose of endorsing one or more nominees and the Secretary shall forward such endorsement to the State Oversight Authority.

(ii) If the number of Governmental Entities that have transferred control of their transmission facilities to the Corporation has increased to one (1) or more, one (1) additional Governor shall be selected representing this Class, taking the total number of Governors selected from this Class to five (5).

(j) Non-Market Participants.

Two (2) Governors initially, but not more than three (3) Governors, shall be selected representing Non-market participants, as follows.

(i) As soon as reasonably practicable but not later than thirty (30) days after the vacancy of a seat on the Governing Board designated for this Class, or sixty (60) days prior to the expiration of the term of office of a Governor associated with this Class, the Secretary shall publish a notice soliciting nominations for appointment to the Governing Board representing this Class. This notice may be made in a newsletter or by electronic posting but shall, in any case, be transmitted by reasonable means directly to entities who have requested in writing to receive such notice. The notice shall specify a reasonable time and mechanism for submission of nominations. All nominations timely received shall comprise the nomination list. If there are not twice as many nominations received as vacancies, the Secretary may, in his or her discretion, request additional nominations. Such nominees shall have no commercial interest in the operation of the Corporation and shall have technical or professional experience in areas such as

economics, finance, western regional utility operations, electrical engineering, environmental science, or national energy policy. The Secretary will forward the nomination list to the State Oversight Authority, who may appoint a Governor from the nomination list or request additional nominations.

(ii) If the number of IOU Transmission Owners that have transferred control of their transmission facilities to the Corporation has increased to four (4) or more, one (1) additional Governor shall be selected representing this Class, taking the total number of Governors selected from this Class to three (3).

(iii) For purposes of this section, parties with a "commercial interest in the operation of the Corporation" shall include owners of or management or supervisory personnel employed by or consultants receiving more than ten percent (10%) of their income from any entity eligible to participate in any of the Classes listed in Sections 4.2(a) through (i) above.

Required Change Number 5:

4.3 Chairperson.

~~For so long as the State of California is the only Participating State, the Oversight Board~~ **State Oversight Authority** shall appoint a Chairperson of the Governing Board. The Chairperson ~~shall~~ **may** be appointed from among the members of the Governing Board selected to any of the seats on the Board described in Sections 3.3 (a) through (m), ~~or may be appointed as an additional member of the Governing Board, thereby raising the number of Governors by one.~~ As soon as reasonably practicable but not later than ten (10) days after the office of Chairperson becomes vacant, or sixty (60) days prior to the expiration of the term of office of the Chairperson, the Secretary shall notify the **State Oversight Board Authority** and the **State Oversight Board Authority** shall promptly undertake selection of a Chairperson, including specifying any process for nomination of a candidate or candidates.

Required Change Number 6:

4.4 Selection and Nominating Procedures in General.

The Governing Board shall develop such additional procedures as it deems reasonable and necessary to ensure that entities having a right to participate in the nomination of Governors or the submission of nominees to the State Oversight Authority are aware of such right.

(a) Self-Certification.

Any entities desiring to participate in the nomination of Governors for any Class shall so notify the Secretary in writing at least sixty (60) days prior to the date the entity desires to begin participating in the Class; provided, however, that the Secretary may waive this requirement for applications from any entity he or she determines is qualified to participate if submitted by the Record Date. Any such notice shall specify the name, address, telephone number, electronic mail address and facsimile number (if any) of the requesting entity, the Class in which such entity desires to participate, a statement of the qualifications of such entity for such Class, all Affiliates of such entity eligible to participate in another Class and a certification that such Affiliates are not registered to participate in such other Classes, and the name of the individual authorized to cast ballots on behalf of such entity and to whom notices shall be sent. If the Secretary has any reason to believe that any particular entity is not qualified to participate in the selection of Governors for the Class specified in the written notice from such entity, the Secretary shall send a written notice to such entity, specifying the reasons for such rejection. Any such entity may request that the Governing Board review the entity's qualification for participation, and the Governing Board shall approve or reject such participation. If the Governing Board rejects such participation of any such entity, it shall send a written notice to such entity, specifying the reasons for such rejection.

(b) List of Eligible Entities by Class.

The Secretary shall maintain at all times a current list of the name and address of each entity entitled to participate in the nomination of Governors of each Class.

(c) Other Procedures.

Unless otherwise specified herein or by the Governing Board, the Secretary shall determine the appropriate mechanisms and election procedures for nominations within each Class, based on time constraints and other relevant factors. Elections may be held by written ballot, votes cast at a meeting, votes cast by electronic mail, votes cast by facsimile or such other procedures as the Secretary designates.

(d) Limit on Affiliates and Participation in More than One Class.

Unless otherwise provided in these bylaws, no private entity, including any Affiliate thereof, or public agency, including any Affiliate thereof, may participate in the nomination of Governors in more than one (1) Class. Once an entity or an Affiliate thereof has participated in the nomination of any Governor, such entity may not change the Class in which such entity participates until the term of the last Governor nominated in an election in which such entity participated has expired.

4.5 Nominating and Selection Procedures for Specific Classes.

Each of the Classes of entities set forth in paragraphs (c) through (h) of Section 4.2 above shall nominate the Governor(s) for such Class by following the procedures set forth below.

The Classes of entities set forth in paragraphs (a) and (b) of Section 4.2 above shall have nominees confirmed by following the procedures set forth in subsection (c) below.

(a) Notice.

As soon as reasonably practicable but not later than thirty (30) days after the vacancy of a seat on the Governing Board designated for such Class, or sixty (60) days prior to the expiration of the term of office of a Governor in such Class, the Secretary shall solicit nominations to determine the ultimate nominee. In soliciting nominations, the Secretary shall provide notice of nomination procedures to all entities entitled to participate in the nomination of Governors for such Class. In addition, the Secretary shall provide for public notice, through the Corporation's electronic notification site or other reasonable means, of the nomination procedures.

(b) Balloting.

The Secretary shall declare a nominee to fill a vacant seat by providing initial ballots and ballot instructions to each entity entitled to participate in the nomination process. If more than one (1) seat is up for nomination at any one time, the Secretary shall conduct sequential ballots to determine the nominee. The initial ballot for a Class shall include a list of all nominees forwarded, in a timely manner, to the Secretary. Each entity entitled to participate in the nomination of Governors of the Class shall have one (1) vote. The Secretary shall provide reasonable time for entities to cast their ballots. The Secretary may choose to provide and collect the ballots in paper form, in person, by facsimile or by electronic mail, or any combination thereof that ensures that the greatest number of eligible entities can participate. At the close of voting, the Secretary shall tabulate the results. The nominee receiving the most votes shall be declared the nominee for confirmation under subsection (c) below, so long as that nominee also receives at least fifty percent (50%) of the votes cast in the ballot. If on the first ballot no nominee receives at least fifty percent (50%) of the votes cast, the Secretary shall conduct sequential ballots in the same manner as the initial ballot, except that the nominees for each subsequent ballot shall be limited as follows: the Secretary shall rank the nominees by order of highest votes to lowest and shall delete those below the candidates receiving a cumulative fifty percent (50%) of the votes cast.

(c) Confirmation and Recommendation.

Nominees to the Governing Board representing the Classes described in paragraphs (a) through (f) of Article III Section 4.2 shall become members of the Governing Board unless two-thirds (2/3) of the Governors then in office vote to disapprove such membership. The Governing Board shall review the qualifications of all nominees representing the Classes described in paragraphs (g) through (j) of Article III Section 4.2, shall determine whether to recommend or not recommend such nominees, and shall forward such recommendations to the State Oversight Authority. Members of the Governing Board representing the Classes described in paragraphs (g) and (h) of Article III Section 4.2 shall be confirmed by the State Oversight Authority, and members of the Governing Board representing the Classes described in paragraphs (i) and (j) of Article III Section 4.2 shall be appointed by the State Oversight Authority, each under applicable provisions of state law and these bylaws. If the Governing Board or the State Oversight Authority declines to confirm a nominee, the Class that selected the nominee may select another nominee to submit to the Governing Board or the State Oversight Authority for confirmation. In such a circumstance, the same members of the Class who were eligible to participate in selecting the unconfirmed nominee will be eligible to participate in selecting a replacement nominee.

4.6 — Qualification of Governors.

(a) Policy.

The Board of Governors is intended to comprise persons who represent the ethnic, gender and experiential diversity of the stakeholders and who possess a cross-section of

skills and experience (such as, for the purposes of illustration but not by way of mandate or limitation, experience in FERC electric regulatory affairs, electric utility management, corporate finance, bulk power systems, human resource administration, power pool operations, public policy, consumer advocacy, environmental affairs, business management and information systems), to ensure that the Board of Governors has sufficient knowledge and expertise to perform its obligations.

(b) Secretary's Report on Qualifications.

The Secretary shall forward to the Governing Board or the State Oversight Authority along with each person nominated a nominating report prepared by the Secretary based on information provided to the Secretary by entities in the class and any other comments provided to the Secretary in writing by any person. The report shall include a summary of the background and experience of the nominee that is relevant to his or her serving effectively as a Governor and, specifically, evaluating the nominee with respect to the following: willingness and ability to devote the necessary time to the Governing Board; commitment to serve a full term; experience with the critical issues to the Class; commitment to meet the fiduciary responsibilities of a Governor of the Corporation; experience serving on the boards of directors of other for-profit or not-for-profit corporations; currently is a board member or member of senior management, or an experienced principal in a consulting organization regularly advising organizations; the extent to which the person is or has been in key policy-making positions; whether the person has demonstrated the ability to work cooperatively with others to find mutually acceptable solutions to controversial issues; whether the person has familiarity with the FERC regulatory process and electricity restructuring in general; and whether the nominee contributes to the ethnic, gender or experiential diversity of the Governing Board as a whole.

(c) Qualifications of Governors.

Governors representing classes described in Sections 4.2(g) through (j) of this Article III shall be electricity consumers in the area served by the Corporation. The State Oversight Authority and the Governing Board shall take into account whether the nominee meets substantially all of the qualifications set forth in Section 4.6(b) in any confirmation decision. Each Governor shall have the duty to notify the Secretary of any change in employment or other status that affects his or her Class affiliation. The Governing Board or State Oversight Authority, as appropriate, shall determine whether such change warrants a new selection process. If so, a new selection process shall be conducted pursuant to Section 4 of this Article III. The affected Governor may serve until replaced.

Required Change Number 7:

Section 5. [RESERVED] Record Date.

~~In order that the Corporation may determine the entities entitled to vote in any election of Governors, the Governing Board shall fix, in advance, a record date (the "Record Date"), which shall not be more than sixty (60) days nor less than thirty (30) days prior to the date of any election meeting or deadline for returning written ballots. Entities specified on the list maintained by the Secretary and who otherwise qualify in accordance with the descriptions of entities entitled to cast ballots at the close of business on the Record Date are entitled to notice of and to vote in any such election.~~

Required Change Number 8:

Section 6. Term of Office of Governors.

The term of office of each member of the initial Governing Board shall be one year. ~~run until March 31, 2000. Thereafter, staggered terms shall be initiated, consistent with the determination of the Oversight Board under Sections 335 and 337 of the California Public Utilities Code (or any successor provisions). To the extent consistent with such determination, terms commencing at such time shall be divided among terms of one (1), two (2) and three (3) years, with terms thereafter being three (3) years in duration. The Oversight Board shall determine in its sole discretion which terms shall apply to which Governors. Subject to the provisions of this Section, Governors may serve multiple terms to a, with no maximum number of terms of twelve (12) years on the Governing Board (whether such terms are served in succession or intermittently). Any such Governor shall be permitted to serve out the term during which such twelfth year of service occurs~~

Required Change Number 9:

Section 7. Vacancies and Removal.

A resignation shall be effective upon receipt of written notice by the Chairperson of the Governing Board, the President or the Secretary, unless the notice specifies a later time of effectiveness. The Governing Board may remove any Governor, with or without cause, if at least two thirds (2/3) of the Governors then in office vote in favor of such removal with the approval of the State Oversight Authority~~Oversight Board~~. If a vacancy occurs, a replacement Governor shall be selected to fill the vacancy pursuant to Sections 3 and 4 of this Article III. A Governor so selected shall serve for the unexpired term of his or her predecessor, and shall be appointed to such Committees as were assigned to his or her predecessor.

Required Change Number 10:

13.4 Governor's Right to Appeal Certain State-Jurisdictional Matters.

(a) Right to Appeal Matters within the Exclusive Jurisdiction of the States.

Any member of the Governing Board may appeal a decision of the Governing Board to an appropriate State Oversight Authority in accordance with Section 339 of the California Public Utilities Code (or any successor provision) or the provisions of any applicable state law that relate to the following matters within the exclusive jurisdictional authority of such State Oversight Authority: selection or confirmation of Governors by the State Oversight Authority under Sections 4.2(i) and (j) or 4.5(e); matters pertaining to retail electric service or retail sales of electric energy; ensuring that the purposes and functions of the Corporation are consistent with the purposes and functions of California nonprofit public benefit corporations, including duties of care and conflict of interest standards for Governors of the Corporation; functions assigned to the Corporation under state law; open meeting standards and meeting notice requirements; appointment of advisory representatives representing state interests; public access to corporate records; and the amendment of Bylaws relating to these matters.

(b) No Conflict with Corporation's Duties as a Public Utility.

Nothing in this Section 13.4 shall prevent the Corporation from making any filing or taking any position at FERC, notwithstanding an appeal to a State Oversight Authority.

(c) Procedures.

A Governor bringing such an appeal shall transmit notice of the appeal to the Secretary of the Corporation by the close of the third business day following the day on which the Governing Board took action on the decision being appealed. The Governor bringing the appeal and the Corporation shall then proceed as specified in adopted procedures of the State Oversight Authority.

Required Change Number 11:

Section 17. Compensation.

17.1 Retainers and Fees.

Governors ~~(other than the President)~~ and Appointed Advisory Representatives shall receive compensation, which may take the form of an annual retainer and/or fees for attending each meeting of the Board or of Committees of the Board, as determined by the Governing Board, in order to ensure the fullest participation in the decisions of the Corporation and to avoid hardship on the part of such Governors and Appointed Advisory Representatives. Such determination may include compensation that differs for the Chairperson, chairpersons of Committees, other Board members and Appointed Advisory Representatives.

17.2 Expense Reimbursement.

Subject to approval by the Governing Board, Governors ~~(including the President)~~ shall also be entitled to receive reimbursement for reasonable and necessary travel and other actual expenses incurred in performing duties of his or her office and in attending meetings of the Governing Board and meetings of committees of the Governing Board, whether or not such Governor is a member of that committee. Subject to approval by the Governing Board using equivalent standards to those used to review expenses incurred by members of the Governing Board, Appointed Advisory Representatives shall be entitled to reimbursement for reasonable and necessary expenses incurred in attending meetings of the Governing Board or meetings of committees of the Governing Board.

ARTICLE IV: COMMITTEES

Section 1. Committees of Governors.

The Governing Board may, by resolution adopted by two-thirds of the Governors then in office, designate one (1) or more committees, including an Executive Committee, each consisting of two (2) or more Governors, to serve at the pleasure of the Governing Board. Appointments to such committees shall be made annually by a two-thirds vote of the Governors then in office. Any such committee, to the extent delegated in the resolution, shall have all the authority of the Governing Board, except that no committee, regardless of the Governing Board resolution, may:

- (a) Fill vacancies on the Governing Board or on any committee;
- (b) Fix compensation of Governors for serving on the Governing Board or any committee;
- (c) Amend, repeal or modify these bylaws or adopt new bylaws;
- (d) Amend, repeal or modify any resolution of the Governing Board that by its express terms is not so amendable, repealable or modifiable;
- (e) Appoint any other committees of the Governing Board or the members of these committees; or
- (f) Approve any self-dealing transaction as referred to in Section 15 of Article III.

~~In appointing committee members, the Governing Board shall, to the extent practicable, ensure that the composition of the committee reflects the broad range of entities representing all Classes that express interest in participating in that committee.~~

ARTICLE VI: OFFICERS AND STAFF

Section 5. President.

The President shall be the chief executive officer of the Corporation and shall be responsible for conducting the affairs of the Corporation in a manner consistent with the policies and directives of the Governing Board. ~~The President shall, as an incident of the office of President, be a member of the Governing Board.~~ He or she shall have such additional powers and duties as may be prescribed by the Governing Board.

Required Change Number 14:

Section 6. Secretary.

The Secretary shall serve notice of and act as Secretary at all meetings of the Governing Board, ~~shall administer the Class selection processes as provided in Section 4 of Article III,~~ shall prepare agendas for the Governing Board, shall record the proceedings of all meetings in the minute books and shall be responsible for conducting the affairs of the Corporation in a manner consistent with the policies and directives of the Governing Board. The Secretary shall have such additional powers and duties as shall be prescribed by the Governing Board.

Required Change Number 15:

Section 3. Amendment of Bylaws.

3.1 Approval by Governing Board and Filing with FERC.

Subject to Section 3.2 below, these bylaws, ~~but excluding Articles III, IV and V,~~ may be amended by the vote of at least two-thirds of the Governors then in office. In addition, if and to the extent required by applicable law, the effectiveness of any amendment to these bylaws shall be subject to acceptance for filing by FERC ~~or approved by the Oversight Board.~~ All Governors and the State Oversight Authority must receive at least thirty (30) days prior written notice of any vote on amending these bylaws.

3.2- Approval by State Oversight Authority

The State Oversight Authority shall approve any bylaw amendments relevant to the matters subject to the exclusive jurisdiction of the relevant state, as set forth below:

- A. matters pertaining to retail electric service or retail sales of electric energy;
- B. ensuring that the purposes and functions of the Corporation are consistent with the purposes and functions of nonprofit public benefit corporations in the state, including duties of care and conflict of interest standards for Governors of the Corporation;
- C. state functions assigned to the Corporation under state law;
- D. open meeting standards and meeting notice requirements;
- E. appointment of advisory representatives representing state interests; and
- F. public access to Corporation records.

~~3.2 Approval of Amendments of Articles III, IV or V. Amendment of Articles III, IV or V or to this Section shall require approval of the Oversight Board. As to amendments to the selection procedure for any Class as set forth in Sections 3.1(a) through (j) and 3.1(l) of Article III, the Corporation may only seek approval of such an amendment if at least two-thirds of the respective entities participating in the selection in that Class vote in favor of the proposed amendment. The Corporation may only seek approval of an amendment to the selection procedure set forth in Section 3.1(k) of Article III if at least two-thirds of the Governing Board members then in office seats associated with end-users Classes vote to seek such approval. In relation to amendments to the description of entities eligible to participate in a Class, the Corporation may seek approval of such amendments if two-thirds of the Governors then in office vote to approve the amendment. All entities participating in the selection of Governors of any Class must receive at least thirty (30) days prior written notice of any vote on proposed amendments to the provisions of these bylaws relating to the selection procedures for such Class.~~

Required Change Number 16:

ARTICLE IX: MISCELLANEOUS

Section 6. FERC Governance Review Filing.

~~Not later than May 6, 2000, the Governing Board shall submit to FERC a recommendation as to whether the Class structure outlined in Article III hereof requires modification, along with any other recommendations as to appropriate changes to these bylaws. The Governing Board shall ensure that at all times the Class structure and composition of the Governing Board outlined in Article III complies with applicable laws and does not allow any one (1) Class to block or veto any resolution before the Governing Board and does not allow any two (2) Classes together to be able to form a sufficient majority to carry any resolution before the Governing Board.~~